■ Tobacco Reports ■ AAFES Early Outs

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Military Market

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HI TECH TOOL

Buying for DeCA

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Military Market Index

COMMISSARIES		APRIL				YEAR-TO-DATE			
		CY '91	CY '92	PERCENT CHANGE	AVERAGE SALES	CY '91	CY '92	PERCENT CHANGE	STORES
CENTRAL	CONUS	$71,248	$74,261	+4.23	$1,811	$289,322	$292,446	1.08	41
	OVERSEAS	334	408	+22.42	408	1,331	1,534	15.26	1
	TOTAL	**71,582**	**74,670**	**+4.31**	**1,778**	**290,654**	**293,981**	**1.14**	**42**
MIDWEST	CONUS	80,409	79,447	-1.20	1,892	326,523	315,853	-3.27	42
	OVERSEAS	0	0	–	-	0	0	–	0
	TOTAL	**80,409**	**79,447**	**-1.20**	**1,892**	**326,523**	**315,853**	**-3.27**	**42**
NORTHEAST	CONUS	66,658	66,719	+0.09	1,450	270,682	262,368	-3.07	46
	OVERSEAS	68	81	+19.01	81	271	303	+11.72	1
	TOTAL	**66,726**	**66,800**	**+0.11**	**1,421**	**270,953**	**262,671**	**-3.06**	**48**
SOUTHERN	CONUS	85,498	85,192	-0.36	1,775	347,188	338,516	-2.50	48
	OVERSEAS	4,835	6,317	+30.65	1,263	19,292	24,321	+26.07	5
	TOTAL	**90,333**	**91,509**	**+1.30**	**1,727**	**366,481**	**362,837**	**-0.99**	**53**
SOUTHWEST	CONUS	84,710	83,650	-1.25	1,609	343,988	342,024	-0.57	52
	OVERSEAS	0	0	–	–	0	0	–	0
	TOTAL	**84,710**	**83,650**	**-1.25**	**1,609**	**343,988**	**342,024**	**-0.57**	**52**
NORTHWEST/ PACIFIC	CONUS	22,028	22,462	+1.97	1,728	89,450	88,344	-1.24	13
	OVERSEAS	37,217	48,449	+30.18	1,127	148,502	187,964	+26.57	43
	TOTAL	**59,245**	**70,911**	**+19.69**	**1,266**	**237,953**	**276,308**	**+16.12**	**56**
EUROPE	CONUS	0	0	–	–	0	0	–	0
	OVERSEAS	51,288	60,557	+18.07	536	204,648	236,054	+15.35	113
	TOTAL	**51,288**	**60,557**	**+18.07**	**536**	**204,648**	**236,054**	**+15.35**	**113**
TOTAL COMMISSARIES	CONUS	$410,551	$411,731	+0.29	$1,701	$1,667,154	$1,639,551	-1.66	242
	OVERSEAS	$93,742	$115,812	+23.54	$711	$374,045	$450,156	+20.35	163
	TOTAL	**$504,293**	**$527,543**	**+4.61**	**$1,303**	**$2,041,199**	**$2,089,727**	**+2.38**	**405**
GROCERY STORES	*U.S. 1*	*$27.625bil.*	*$28.646bil.*	*+3.70%*	-	*$110.226bil.*	*$112.899bil.*	*+2.43%*	–

EXCHANGES		APRIL			YEAR-TO-DATE		
		CY '91	CY '92	PERCENT CHANGE	CY '91	CY '92	PERCENT CHANGE
AAFES	CONUS	$354,694	$360,038	+1.51	$1,322,448	$1,317,525	-0.37
	OVERSEAS	277,013	234,471	-15.36	1,026,024	910,628	-11.25
	TOTAL	**631,707**	**594,509**	**-5.89**	**2,348,472**	**$2,228,153**	**-5.12**
MAIL ORDER	CONUS	1,782	1,337	-24.97	6,543	4,968	-24.07
	OVERSEAS	2,709	1,924	-28.98	13,101	7,844	-40.13
	TOTAL	**4,491**	**3,261**	**-27.39**	**19,644**	**12,812**	**-34.78**
NAVY	CONUS	109,974	110,504	+0.48	426,296	433,344	+1.65
	OVERSEAS	51,661	50,506	-2.24	193,120	206,009	+6.67
	TOTAL	**161,635**	**161,010**	**-0.39**	**619,416**	**639,353**	**+3.22**
MARINES CORPS	CONUS	34,023	34,452	+1.26	114,434	129,300	+12.99
	OVERSEAS	6,175	5,669	-8.19	19,064	20,994	+10.12
	TOTAL	**40,198**	**40,121**	**-0.19**	**133,498**	**150,294**	**+12.58**
COAST GUARD	CONUS	8,378	8,381	+0.04	36,631	33,525	-8.48
	OVERSEAS	520	627	+20.58	2,692	2,487	-7.62
	TOTAL	**8,898**	**9,008**	**+1.24**	**39,323**	**36,012**	**-8.42**
ALL EXCHANGES	CONUS	$508,851	$514,712	+1.15	$1,906,352	$1,918,662	+0.65
	OVERSEAS	$338,078	$293,197	-13.28	$1,254,001	$1,147,962	-8.46
	TOTAL	**$846,929**	**$807,909**	**-4.61**	**$3,160,353**	**$3,066,624**	**-2.97**
DEPARTMENT STORES	*U.S.*	*$13.386bil.*	*$14.529bil.*	*+8.54%*	*$47.631bil.*	*$51.382bil.*	*+7.88%*

Note: Distribution of sales by CONUS and overseas is based on definition by respective region, service or system. Figures do not include sales tax. Figures in thousands unless otherwise indicated. 1) Source: U.S. Department of Commerce. 2) MM estimate, based on official data. 3) Includes consolidated sales for all services, including Coast Guard. 4) Includes sales of Navy uniforms, exchange mart, grocery sales, and concession sales. For the Northwest/Pacific Region, Alaska and Hawaii are listed in this index as overseas stores. NOTE: Individual figures may not add to totals because of rounding. Commissary sales include appropriate surcharges; exchange sales include concession volume.

Market Report

Tobacco's Dramatic Year

By Associate Editor DAVID CRAIG

When it comes to saving money on tobacco products, military shoppers aren't just blowing smoke about lower prices.

Price value, generic and sub-generic cigarettes — those that save shoppers extra per carton — are one of the biggest trends in military tobacco sales today. The purchase motivation for price-conscious customers can be found in the savings, which can amount to several dollars per carton.

A few examples of the less expensive cigarettes on the market are R.J. Reynolds Tobacco's Doral and Magna lines and Philip Morris USA's Bucks and Cambridge brands.

Ralph Gaillard, director of military sales for R.J. Reynolds Tobacco Co., said there has been a "dramatic move" to the less expensive cigarettes in the military.

"It's quite a dramatic change," Gaillard told MILITARY MARKET.

"There's been a dramatic growth in the mid-price or the budget category in the military that indexes much larger than the civilian market," he noted.

Sheila Banks-McKenzie, director of media affairs for Philip Morris USA, said her company also has found that a "big growth category is the price value brand."

Sales of the less costly smokes account for a large percentage of the commissary cigarette business, she said.

In keeping with the Defense Department's health policies, commissaries have discouraged for several years any "glamorization" of tobacco products in the stores. The military also restricts promotions on tobacco products.

Under the smoking policy, companies may not display tobacco products off the shelf in commissaries. Prohibited are promotional activities such as free lighters or "tape-on" cigarette packs given to customers. The Defense Commissary Agency allows no special displays or giveaways of tobacco products at store grand openings or other promotions, the agency said.

Still, the latest commissary figures show increases in the sale of tobacco in stores throughout ConUS. Some of the largest increases over the 12 months preceding March 1992 were in the sale of smokeless tobacco, according to Military Audits of Market Information. *[EDITOR'S NOTE: Please see chart, page 33.]*

Smokeless products such as snuff and loose leaf tobacco are being sold at price value costs, too, Bill Pulley, a tobacco buyer for Northwest/Pacific Region commissaries, told MILITARY MARKET.

"They, as well, have come out with price value brands," Pulley said of the smokeless tobacco companies. He said tobacco sales in his region are growing.

MAMI statistics for the year ending March 1992 showed that more than 59 million cartons of cigarettes were sold in ConUS commissaries. This compared with sales of nearly 3 million packages of smokeless tobacco. But unit sales of cigarettes in commissaries rose by 8.8 percent compared to an increase of 19 percent for smokeless tobacco for the same period.

The Central Region experienced the largest growth, according to MAMI. Unit sales of cigarettes rose by 17.4 percent, while sales of smokeless products were up 27.2 percent. Dollar sales of cigarettes were more then $90 million for the region (up 26.5 percent), while dollar sales for smokeless tobacco reached $1.8 million (up 39.4 percent), MAMI said.

Lower price cigarettes have also made inroads in sales at exchanges. The Army and Air Force Exchange Service reported a "huge growth in generic cigarettes, while full price is declining," the agency said.

Four years ago generics totaled about 11 percent of the business at AAFES exchanges. They now account for about 36 percent of AAFES' business and are heading for 50 percent or more, AAFES said in response to a MILITARY MARKET inquiry.

Total 1991 tobacco sales at AAFES exceeded $170.9 million, up from nearly $160.9 million in 1990, the exchange service said. More than $4 million worth of lighters were sold.

Compared to the civilian market, cigarette sales in AAFES have stabilized; the commercial market has seen about a 2 percent drop per year, AAFES said.

The giant exchange agency said the most significant accomplishment of its tobacco buyers over the past year was "recognizing and reacting to [the] trend in generic cigarettes."

In Navy exchanges (most Navy commissaries do not sell tobacco products), fiscal 1990 ConUS sales of tobacco and smoking accessories were $106.5 million while overseas sales were $17.1 million. ConUS sales rose in fiscal 1991, reaching $116.1 million. But they dropped overseas, falling to $16.9 million, the Navy Exchange Service Command reported.

Marlboro cigarettes were top sellers in both AAFES and Navy exchanges, the agencies said.

NEXCOM reported that unit sales for full priced brand name cigarettes in Navy exchanges fell 9.1 percent in 1991. Meanwhile, price value cigarettes saw sales rise 19.8 percent. The overall market share for full-priced brands at Navy exchanges is 64 percent, compared to a 36 percent share for the price value brands. The price value cigarettes increased their market share by 5.6 percent over last year, NEXCOM said.

"The cigarette category in the Navy exchanges has followed the national sales trend," NEXCOM said. "The price value segment (mid-priced and generic brands) has grown to one third of the purchases, and some manufacturers have responded by expanding the variety and styles of their low-priced entries."

NEXCOM said Marlboro expanded its line to include Marlboro Medium, which NEXCOM called the "most successful full margin brand introduction in 10 years." Brown & Williamson's GPC — which is NEXCOM's exclusive contract source for black and white generics — "has been well received due to lower price points."

"This [GPC] brand enjoys a substantial retail price advantage over all competing brands," NEXCOM said.

Also selling well in Navy exchanges in 1991 were mid-priced brands, RJR's Doral, Philip Morris' Cambridge and Bucks and Brown & Williamson's Viceroy and Richland.

NEXCOM said its tobacco in-stock rate averages 95 percent.

Marine Corps exchanges reported tobacco sales of $35 million in fiscal 1991. Sales of tobacco products equaled 9.2 percent of total sales volume. During fiscal 1990, tobacco

sales in Marine exchanges totaled $31 million for 8.6 percent of the volume. The 1989 sales figure was $29 million, or 8.2 percent, the Marine Corps retail public affairs office reported.

Several trends were noted by commissary buyers and tobacco suppliers.

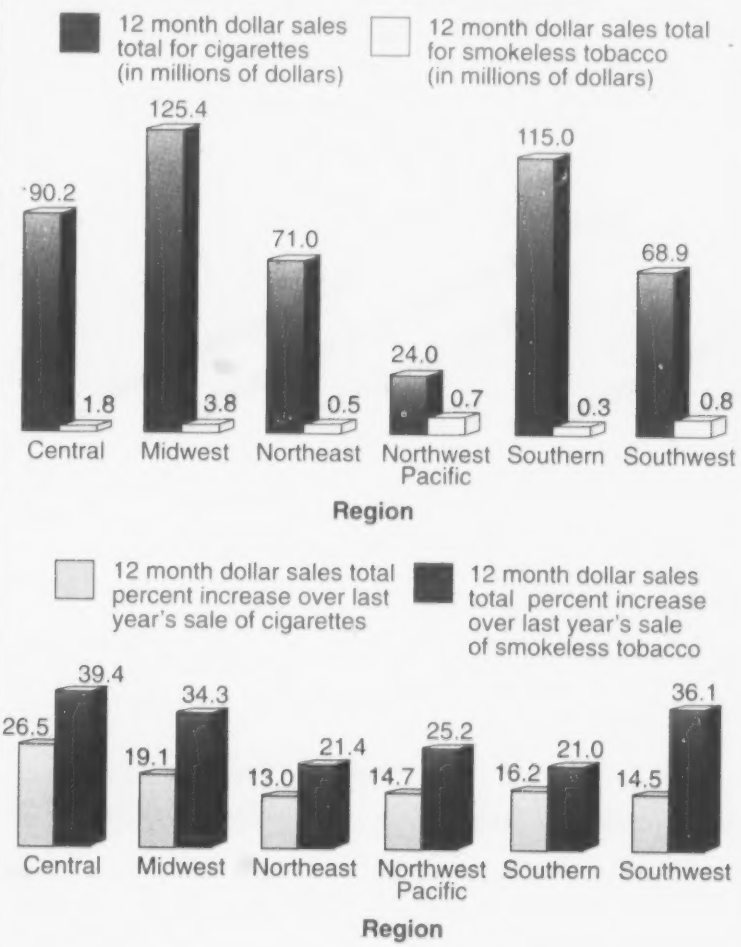
In the Midwest, the top selling flavors in pipe tobacco are bourbon, black cherry, cherry blend and aromatics, Midwest Region buyer Charles Redepenning told MILITARY MARKET.

Menthol flavor cigarettes rank as the No. 20 and No. 40 most popular brands in the region, he said. Redepenning observed that menthols rank lower in his region than nationally, but he said he did not "really know why they would be like that." Sales can vary by region, he said, and perhaps one reason for the lower than usual ranking of menthols is the large number of retirees in the Midwest Region. "Maybe the older people just don't like the taste of menthol," Redepenning said.

Smokeless tobacco sales are up in the region, as well as cigarette sales, Redepenning said. Cigar sales have remained "firm with no real growth." The sale of lighters remains firm, he said.

Up in Smoke(less)

Although sales of both cigarettes and smokeless tobacco increased throughout DeCA's six ConUs regions during the 12 months ending March 1992, sales figures show that in terms of percent-of-growth, the trend is smokeless.



Source: MAMI

Cristina Rivero for Military Market

In European commissaries, Marlboro soft pack and box cigarettes are top sellers "and have been for some time," Mei Fox, the European Region's chief of merchandising, said in a written response to questions.

Cigars in Europe "are basically a dead issue," he said. "We carry them, but they don't really sell well."

Lighters are the only smoking accessories carried in European commissaries. As with cigarettes, sales of lighters "have remained relatively steady over time," Fox said.

Cigarette sales in Europe are controlled through ration cards. "The only problems related to this practice are recurring problems — theft of cigarettes in the store, stolen ration cards, resale of cigarettes on the local economy that have been purchased with ration cards and misuse of ration cards," Fox said.

Meanwhile in DeCA's Southern Region, Jim Davidson, the buyer of tobacco products, said, "Cigarette sales continue to show a decline." But he noted that "price value brands are showing sales growth while standard price brand sales are declining."

Another trend in the Southern Region is the introduction of many new subgeneric brands, he said. However, "No significant changes have been noted in sales of nonmenthol vs. menthol brands," Davidson said.

DeCA's Central Region said name brand cigarettes account for about 51 pecent of its cigarette sales. Price value lines and generics make up the other 49 percent. "The trend is definitely towards the value lines," said Alan Flowers, the region's tobacco buyer.

"Light" ciagarettes are the best sellers in the Central Region "despite the advances made by value lines," Flowers said. "The popularity of cigars has steadily declined for several years and the tobacco industry does not anticipate any change to this trend. Pipe tobacco sales have remained steady, but are insignificant when compared to cigarettes."

Chewing tobacco is still popular but "devout snuff users are rare," Flowers said.

In cigarette lighters, Flowers said people prefer bright and flashy colors at the moment. Manufacturers are offering thinner, smaller "designer" lighters "with a high-tech electric spark ignitor."

RJR's Gaillard, who emphasized that the tobacco industry does not promote or encourage smoking among people younger than 21, said he doesn't expect to see "any dramatic growth" in the tobacco category.

Sales should continue "pretty much like they have been," Gaillard said. MM